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FOR IMMEDIATE RELEASE

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**FATHER AND SON PLEAD GUILTY IN SCHEME TO MISAPPROPRIATE  
FUNDS FROM SUREWEST COMMUNICATIONS IN ROSEVILLE**

SACRAMENTO: United States Attorney McGregor W. Scott announced today that Larry J WELLS, 63, of Pebble Beach, and his son, JEFFREY WELLS, 33, of Roseville, pleaded guilty yesterday to various charges in connection with the misappropriation of \$2 million from SureWest Communications, a publically traded company based in Roseville, California. LARRY J. WELLS pleaded guilty to two counts of wire fraud and two counts of conducting a monetary transaction in criminally derived property. JEFFREY WELLS pleaded guilty to ten counts of wire fraud. The guilty pleas were entered before United States District Judge Morrison C. England.

This case was investigated by the FBI and IRS Criminal Investigations with assistance from the U.S. Securities and Exchange Commission. It was prosecuted by Assistant United States Attorneys R. Steven Lapham and Matthew D. Segal.

According to the factual basis included in the plea agreement, LARRY J. WELLS and Henry M. Kaiser owned and operated a venture capital company called Quivira Ventures. JEFFREY WELLS, was a senior treasury analyst for SureWest Communications. In that capacity, JEFFREY WELLS had access to large amounts of SureWest's funds and had the authority to move those funds among SureWest's approved investment managers. However, he had no authority to move those funds to other entities or to make independent decisions regarding new investments.

Nevertheless, beginning in January, 2003, JEFFREY WELLS began transferring large sums of SureWest's money to Quivira in amounts of up to \$25 million. Father and son both admitted that at the time these transfers were made they knew that JEFFREY WELLS did not have authority to commit SureWest's funds to Quivira. Further, there was no documentation reflecting a relationship between SureWest and Quivira and no employee of SureWest other than JEFFREY WELLS was aware of these transfers.

JEFFREY WELLS was able to execute these transfers only by circumventing SureWest's controls which were specifically intended to prevent a single person from executing wire transfers of funds. JEFFREY WELLS also took steps to conceal these transfers from outside auditors who

would later review SureWest's financial records. This included: (1) attempting to have the money temporarily returned to SureWest at the end of each fiscal quarter where it might sit for a short period of time before being returned to Quivira; (2) creating false documentation which purported to show that the money was properly invested; (3) otherwise misrepresenting the nature and location of SureWest's money in SureWest's records; and (4) signing declarations attesting to the truth and accuracy of SureWest's financial statements.

JEFFREY WELLS engaged in the scheme with the express purpose of obtaining employment with Quivira and had specific discussions with his father about that eventuality.

JEFFREY WELLS resigned from SureWest on December 17, 2003, in the midst of a year-end audit of the company. That resignation triggered a routine financial review which disclosed that SureWest was missing approximately \$2 million. In the days leading up to the resignation, LARRY WELLS and Henry Kaiser had succeeded in returning approximately \$23 million to SureWest, but were unable to return the remaining \$2 million because they had committed it to an overseas investment which proved to be fraudulent.

As part of his plea agreement, LARRY WELLS admitted that in August 2003, he and Kaiser had wired the \$25 million illegally acquired from SureWest to a London bank account in the hopes of taking advantage of an 8-for-1 investment opportunity. At the time, the U.S. Department of Treasury website described such investments as scams. Nevertheless, the following month, the elder WELLS and Kaiser wired \$2 million of the original \$25 million into a Banca di Roma account in Luxembourg that was under the control of the person who was promoting the 8-for-1 investment. This bank account did not bear the name of an individual, but only the code name "Lybra". Although the United States Attorney for the Eastern District of California successfully froze the account after the scheme was uncovered, only about \$700,000 remained in the account. The remainder of SureWest's money is still missing. After accepting the guilty plea Judge England scheduled the matter for sentencing on August 28, 2006. The remaining co-defendant, Henry M. Kaiser, pleaded guilty to wire fraud and conducting a monetary transaction in criminally derived property and is scheduled to be sentenced on August 22, 2006.

The maximum penalty for wire fraud is 20 years in prison for each count. The maximum penalty for conducting a monetary transaction in criminally derived property is 10 years in prison for each count.

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